

S. C. PUBLIC SERVICE COMMISSION  
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S. C. PUBLIC SERVICE COMMISSION  
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UTILITIES DEPARTMENT  
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UTILITIES DEPARTMENT  
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UTILITIES DEPARTMENT

ACCEPTED  
BEFORE Legal 12/30/03 906

POSTED  
12/30/03

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
DEC 11 2003  
RECEIVED  
EXECUTIVE DIRECTOR'S OFFICE

PUBLIC SERVICE COMMISSION  
OF  
SOUTH CAROLINA

DOCKET No. 2003-368-S

IN RE: Application of Madera )  
Utilities, Inc. for )  
approval of adjusted )  
schedule of rates and )  
charges for wastewater )  
services )

APPLICATION

COMES NOW, Madera Utilities, Inc. (hereinafter "Madera") and hereby seeks the approval of the adjusted schedule of rates and charges for the wastewater collection and treatment services provided within its authorized service area. In support of its application and the requested relief, Madera would respectfully state unto this honorable Commission:

- 1, That this application is submitted pursuant to S.C. Code Ann., Sec. 58-5-240, and R. 103-512, as amended.
2. That Madera is a corporation organized and doing business under the laws of the State of South Carolina and provides sewerage services to 112 residential customers in Heatherwood Subdivision, Clemson, Pickens County; located within service area heretofore established by the Commission. Madera is a "public utility" and subject to the jurisdiction of this Commission.

3. That Madera's current rates and charges were approved by this Commission's Order No. 90-31, dated January 12, 1990. Such rates and charges as approved are as follows:

Residential Monthly Charge - \$17.50

4. That notwithstanding Madera's efforts to provide its services as Efficiently as possible, its operating costs have increased substantially and the rates and charges previously approved in Order No. 90-31 are inadequate to generate sufficient revenues to permit Madera to recover its reasonable operating expenses and to have a reasonable opportunity to earn a fair return. In addition, the South Carolina Department of Health and Environmental Control has ordered the lagoon serving Madera's customers closed and that the wastewater be diverted to wastewater treatment facilities of Pickens County or the City of Clemson. Madera does not own the lagoon or sewer system; but, operates only pursuant to a contract to with the property owner and feels that it does not have the obligation to make the necessary changes and improvements.

Nevertheless, if sufficient additional revenue can be approved to pay for the changes and improvements required, then Madera will undertake to make the necessary changes and improvements.

5. That in order to provide sufficient revenue to recover its operating expenses, to maintain the plant in order to continue its good quality service, and to restore its financial integrity, and to make required changes and improvements, Madera seeks approval of the proposed schedule of rates and charges, attached hereto as Exhibit A and incorporated herein by reference, which would have produced additional revenues of \$77,870, as of December 31, 2002. Based on adjusted test year experience, the

additional revenues would produce an operating margin of .019%. Madera submits that the rates and charges reflected in Exhibit A are just and reasonable, and Madera intends to implement such adjusted rates and charges in accordance with the applicable provisions of S.C. Code ANN., Sec 58-5-240 (1976), as amended, unless sooner directed by order of the Commission.

6. That the following identified Exhibits, attached hereto and incorporated herein by reference, are submitted in accordance with the applicable provisions of S.C. Code Ann., R 103-512(4)(A) (1976), as amended:

- Exhibit A - Proposed Rates and Charges
- Exhibit B - Current income and expense statement for the twelve months ending December 31, 2002.
- Exhibit C - Pro-forma income and expense statement using proposed Rates and charges applied to the proposed test year.
- Exhibit D - Balance Sheet
- Exhibit E - Depreciation schedule and statement of total plant Investment.
- Exhibit F - Number of present and expected customers in the following twelve months.
- Exhibit G - Cost justification for proposed rates and charges.
- Exhibit H- Copy of most recent letter of approval from DHEC.
- Exhibit I- Copy of Customer bill form.

6. That all correspondence and other communications concerning this Application should be addressed to the undersigned.

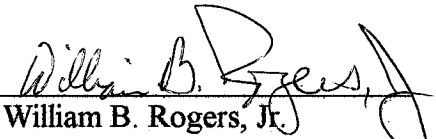
7. That the City of Clemson collects the monthly fees from the customers of Madera and has informed Madera that its charges will be increased. Madera seeks approval for these and any other increased charges by the City of Clemson to be passed through to the individual customers.

WHEREFORE, Madera Utilities, Inc., respectfully prays unto this honorable Commission:

1. To review the matters raised herein and to issue its order approving the schedule of rates and charges reflected in Exhibit A;
2. For such other and further relief as is just and proper.

Respectfully submitted,

Rogers and Munnerlyn, PA  
Post Office Box 1175  
Bennettsville, SC 29512  
843-479-9577

By:   
William B. Rogers, Jr.  
Attorneys for Madera Utilities, Inc.

December 1, 2003

EXHIBIT A

PROPOSED RATE SCHEDULE  
SCHEDULE OF RESIDENTIAL RATE

Heatherwood Subdivision

\$74.40 per month

**MADERA UTILITIES, INC.**

## Statement of Revenues and Expenses – Income Tax Basis

Year ended December 31, 2002

## Revenues

|                       |        |
|-----------------------|--------|
| Income from customers | 22,160 |
|-----------------------|--------|

## Expenses

|                         |              |
|-------------------------|--------------|
| Chemicals               | 2,138        |
| Repairs and Maintenance | 2,695        |
| Taxes and Licenses      | 831          |
| Professional fees       | 454          |
| Bank charges            | 16           |
| Contract services       | 10,250       |
| Lab costs               | 1,846        |
| Misc. expense           | 231          |
| Postage                 | 161          |
| Utilities and Telephone | <u>3,492</u> |

|                |                 |
|----------------|-----------------|
| Total expenses | <u>(22,114)</u> |
|----------------|-----------------|

|                             |           |
|-----------------------------|-----------|
| Total revenue over expenses | <u>46</u> |
|-----------------------------|-----------|

See Accountant's Compilation Report

**MADERA UTILITIES, INC.**

## Pro-Forma Statement of Revenues and Expenses – Income Tax Basis

Year ended December 31, 2002

|                              | <u>Per Books</u> | <u>Effect of<br/>Proposed<br/>Increase</u> | <u>After<br/>Increase</u> |
|------------------------------|------------------|--|---------------------------|
| Revenues                     |                  |  |                           |
| Income from customers        | <u>22,160</u>    | <u>77,840</u>                              | <u>100,000</u>            |
| Expenses                     |                  |  |                           |
| Chemicals                    | 2,138            |  | 2,138                     |
| Repairs and Maintenance      | 2,695            | 2,305                                      | 5,000                     |
| Taxes and Licenses           | 831              |  | 831                       |
| Professional fees            | 454              | 346  | 800                       |
| Bank charges                 | 16               |  | 16                        |
| Contract services            | 10,250           |  | 10,250                    |
| Lab costs                    | 1,846            |  | 1,846                     |
| Misc. expense                | 231              |  | 231                       |
| Postage                      | 161              |  | 161                       |
| Utilities and Telephone      | 3,492            |  | 3,492                     |
| Attorney's fees payable      |                  | 6,072                                      | 6,072                     |
| Mortgage payments –          |                  |  |                           |
| Proposed improvements        |                  | 31,796                                     | 31,796                    |
| Bill collection fee increase |                  | 6,048                                      | 6,048                     |
| Management fees – arrears    |                  | 11,355                                     | 11,355                    |
| Management fees – current    |                  | <u>18,000</u>                              | <u>18,000</u>             |
| Total expenses               | <u>22,114</u>    | <u>75,922</u>                              | <u>98,036</u>             |
| Total revenue over expenses  | 46               | <u>1,918</u>                               | <u>1,964</u>              |

## MADERA UTILITIES, INC.

### Explanation of Proposed Increase

December 31, 2002

74.40  
- 17.50  
56.90

- (1) A proposed rate increase of \$ 57.92 per month would generate gross revenue of approximately \$ 77,840.00.

$$112 \text{ customers} \times \$ 57.82 \times 12 \text{ months} = 77,844.48$$

- (2) Repairs and maintenance expense is expected to continue to increase as the assets age.
- (3) Professional fees increased for costs incurred to file with the Public Service Commission.
- (4) Attorney's fees – this amount is currently due but has not been paid as cash has not been available with current cash flow. The corporation is a cash basis entity.
- (5) Two mortgage loans will be necessary to perform upgrades on the system as required by the Department of Health and Environmental Control and rebuilding and modernization of the system that is 25 years old. The loans are expected to be in the amounts of \$134,000.00 and \$180,000.00. Payments of these loans were calculated for 15 years at a rate of 6%.
- (6) Bill collection fees are expected to increase from \$1.00 per bill to \$5.50 per bill.
- $$112 \text{ customers} \times \$ 4.50 \times 12 \text{ months} = \$6,048.00$$
- (7) Management fees – this amount is currently due but has not been paid as cash has not been available with current cash flow.
- (8) Management fees – amount due for current year.



**MADERA UTILITIES, INC.**

## Statement of Assets, Liabilities, and Equity – Income Tax Basis

December 31, 2002

## ASSETS

## CURRENT ASSETS

|      |  |          |
|------|--|----------|
| Cash |  | \$ 1,830 |
|------|--|----------|

## FIXED ASSETS

|                       |               |  |
|-----------------------|---------------|--|
| Lagoons               | 30,000        |  |
| Tanks and Wells       | 18,500        |  |
| Water and Sewer Lines | 72,585        |  |
| Equipment             | <u>25,939</u> |  |

|                               |                  |     |
|-------------------------------|------------------|-----|
| Less accumulated depreciation | <u>(147,024)</u> | -0- |
|-------------------------------|------------------|-----|

|      |  |            |
|------|--|------------|
| Land |  | <u>800</u> |
|------|--|------------|

|              |  |              |
|--------------|--|--------------|
| TOTAL ASSETS |  | <u>2,630</u> |
|--------------|--|--------------|

## LIABILITIES AND EQUITY

## LIABILITIES

|                         |  |           |
|-------------------------|--|-----------|
| Loans from Shareholders |  | \$ 10,920 |
|-------------------------|--|-----------|

## EQUITY

|                   |                 |                |
|-------------------|-----------------|----------------|
| Capital Stock     | 2,000           |                |
| Retained earnings | <u>(10,290)</u> | <u>(8,290)</u> |

|                              |  |              |
|------------------------------|--|--------------|
| TOTAL LIABILITIES AND EQUITY |  | <u>2,630</u> |
|------------------------------|--|--------------|

See Accountant's Compilation Report

EXHIBIT E

MADERA UTILITIES, INC.

FIXED ASSETS AND DEPRECIATION

YEAR ENDING DECEMBER 31, 2002

The lagoon and lines at the Heatherwood system are not owned by Madera Utilities, Inc. and therefore not depreciated. The equipment and personal property at the Heatherwood system has been fully depreciated since the acquisition of the right to operate the system in 1987 by Madera Utilities.

Exhibit F

PRESENT AND EXPECTED CUSTOMERS

Madera Utilities, Inc. presently provides wastewater collection and treatment services to one hundred and twelve (112) residential customers in the Heatherwood Subdivision in Pickens County. The number of residential customers is projected to remain unchanged for the next twelve months.

COST JUSTIFICATION FOR PROPOSED RATES AND CHARGES

The proposed rates and charges are intended to permit Madera Utilities, Inc to recover its reasonable operating expenses, and to have a reasonable opportunity to earn a fair return. The existing rates and charges were based upon operating experiences during the twelve months ended December 31, 1988. These existing rates and charges are clearly inadequate to enable Madera Utilities, Inc. to support and maintain its credit, to assure confidence in its financial integrity, and to enable it to provide adequate and sufficient service to its customers.

In addition, even though Madera Utilities, Inc. does not own the lagoon, the system or the lines, it has been ordered by the South Carolina Department of Health and Environmental Control to cease to use the Heatherwood lagoon and to construct a lift station and line to the City of Clemson Sewer system. Projections are that the lift station and requisite lines will cost \$134,000.00, including engineering of \$13,000.

The existing system and manholes are now some 25 years old and in need of rebuilding and modernization. Projections are that rebuilding the system will cost \$180,000.00. Although Madera Utilities, Inc. does not own the system and operates it by virtue of a contract to do so, Madera Utilities, Inc. will undertake to make the desired changes and improvements based upon an increase in the rates and charges sufficient to amortize the costs of such improvements.



Appalachia II  
Environmental Quality Control/Serving  
301 University Ridge, Suite 5800  
Greenville, SC 29601-3677  
864-241-1090 Fax: 864-241-1092

Greenville and Pickens Counties

Exhibit H

16 Jun 03

Geraldine Adams  
Madera Utilities  
P.O. Box 198  
Spartanburg, SC 29304

Re: Heatherwood SD WWTF; SC0029548

Dear Mrs. Adams:

A follow-up inspection of the above facility was conducted on 2 Jun 03, and a copy of that inspection report is enclosed for your records. All of the deficiencies noted in the previous inspection have been corrected. The facility received an Overall Rating of **Satisfactory**. Please note the "Remarks Section" of the report for details.

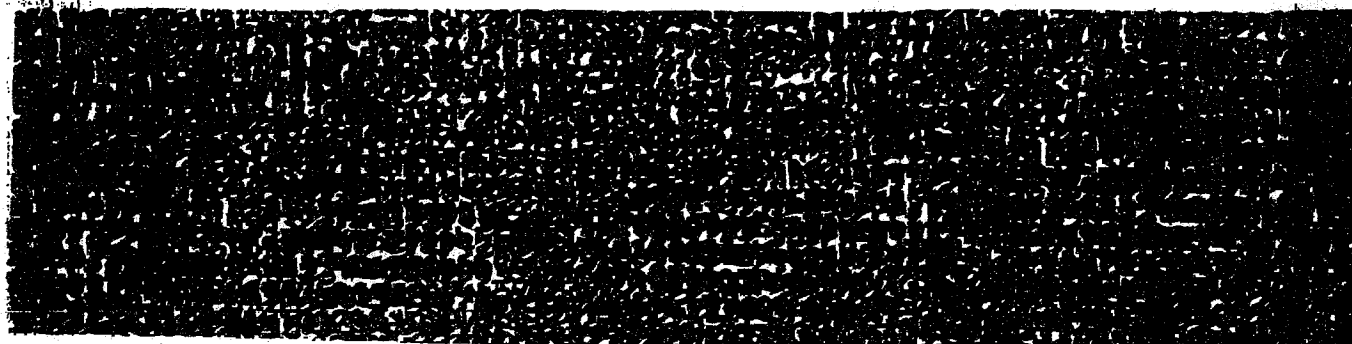
Please let me know if you have any questions or if I can provide further assistance.

Sincerely,

*Bill Rampey*  
Bill Rampey

Environmental Health Manager

cc: Bureau of Water  
Owner ✓  
Reading File  
Facility File  
✓ Bill's File



Telephone:  
(864) 653-2035

**CITY OF CLEMSON**  
BILLING ADMINISTRATION

Office Hours: 8:00 AM to 5:00 PM Monday thru Friday except holidays  
Closed Saturday and Sunday  
USE NIGHT DEPOSITORY AFTER OFFICE HOURS

Metered Service From: 10/15/03 To 11/13/03

| ACCOUNT NUMBER | DATE OF BILL | BILL DUE BY | DAYS | CHARGE PER DAY |
|----------------|--------------|-------------|------|----------------|
|                | 11/21/03     | 12/05/03    | 29   | \$ 1.58        |

| CODE | PREVIOUS               | PRESENT | CONSUMPTION | AMOUNT |
|------|------------------------|---------|-------------|--------|
| PB   | PREVIOUS BALANCE       |         |             | 57.96  |
| 1    | 9937                   | 10023   | 8600        | 22.27  |
| 22   | MEDERA SEWER BILLED    |         |             | 17.50  |
| 5    | RESIDENTIAL SAN BILLED |         |             | 6.00   |
| 62   | PAY UTILITIES          |         |             | 57.96  |

RETURN THIS REMITTANCE SLIP WITH

**CITY OF CLEMSON**

1200 Tiger Blvd. #3, Clemson, SC 29631

CUSTOMER NAME

SERVICE ADDRESS

ACCOUNT NUMBER:

PAST DUE AFTER: 12/05/03

PAST DUE AMOUNT: 50.35

TOTAL

TRAFFIC SAFETY INFORMATION